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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA,) Case No. CR 18-577 CRB
Plaintiff,)
) UNITED STATES' OFFER OF PROOF
v.) REGARDING CHRIS YELLAND
MICHAEL RICHARD LYNCH AND) Trial Date: March 18, 2024
STEPHEN KEITH CHAMBERLAIN,) Pretrial Conference: February 21, 2024
Defendants.)

As requested by the Court at the February 28 and April 9, 2024 hearings, the government respectfully provides a summary of the proposed testimony it intends to elicit from Chris Yelland based on the Court's rulings:

PROPOSED TESTIMONY

1. I graduated from the University of Warwick in or about 1989. In April 1990, I joined Arthur Anderson, which at the time was one of the five biggest accounting firms worldwide. I qualified as a Chartered Accountant while at Arthur Anderson and was a Chartered Accountant at all times relevant to the events described in my testimony.

1 2. After more than three years of work at Arthur Anderson, I joined the Financial Training
2 Company (“FTC”) in 1993 as a tutor. FTC was a small professional training company which trained
3 people to become chartered, certified, and/or management accountants. In my role at FTC, I lectured
4 on various aspects of accountancy and business practice.

5 3. In 1995, I joined the accounting team at Rover Group, a UK-based car manufacturer. I
6 started off as an operational audit manager. I was later promoted to U.K. Accounting Manager.

7 4. In January 2000, I moved to Compaq and was with Compaq when it merged with HP. I
8 worked in various finance roles within HP. In September 2010 I was promoted to Finance Director
9 of HP’s EMEA Software business and in April 2012 I was promoted to the position of CFO of
10 Autonomy, which had been acquired by HP in the autumn of 2011. Stephen Chamberlain had
11 been in that role. I used an office Mr. Chamberlain formerly used. In the office, I found notebooks
12 that appear to have belonged to Mr. Chamberlain and have notes referenced transactions I became
13 familiar with during my time at Autonomy. I gave those notebooks to investigators for HP. They
14 are marked as Exhibits 11673, 11674, 11675, 11676, 11677, and 11678.

15 5. Autonomy Corporation plc was a holding company for a group of related companies
16 engaged in the business of software development and distribution, including U.S.-based companies
17 Autonomy, Inc. and ZANTAZ, Inc. and a U.K.-based company, Autonomy Systems Limited (“ASL”).
18 ASL licensed Autonomy software to other entities in the Autonomy group and participated in the
19 earnings of its fellow group companies. Specifically, ASL had “transfer pricing” and other
20 arrangements with other Autonomy group companies. Pursuant to those arrangements, amounts equal
21 to, typically, 96.5% of the revenues of other Autonomy group companies were transferred to ASL. In
22 other words, when transactions by certain Autonomy group companies generated revenue, that generated
23 revenue for ASL. An error or misstatement in one of the sales company’s books would affect both the
24 group accounts and ASL’s accounts.

25 6. During the time period 2009 to 2011, Autonomy Corporation plc issued press releases to
26 the market announcing earnings for the group as a whole, and ASL publicly filed financial statements
27 reporting revenue earned in part through its licensing agreements with Autonomy group companies.

1 7. I became a director of ASL on or about July 5, 2012, shortly after becoming Autonomy
 2 CFO. ASL was subject to the Companies Act of 2006 in the U.K. ASL's directors (including me) were
 3 required to prepare financial statements for each financial year that provided a true and fair view of the
 4 state of affairs of the company at year end and the profit and loss. Its directors were forbidden from
 5 approving financial statements unless they were satisfied that the financial statements gave a true and
 6 fair view of the assets, liabilities, financial position, and profit or loss of the company. ASL also was
 7 required to keep adequate accounting records that were sufficient to show and explain the company's
 8 transactions and disclose with reasonable accuracy at any time the financial position of the company and
 9 enable the directors to ensure that the financial statements comply with the Companies Act. In addition,
 10 ASL's directors were required to publicly file ASL's financial statements with the Registrar of
 11 Companies (Companies House). Criminal penalties attached to each of these obligations, and I took
 12 them seriously.

13 8. ASL's financial statements were prepared in accordance with United Kingdom Generally
 14 Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In
 15 preparing these financial statements, ASL's directors were required to (1) select suitable accounting
 16 policies and then apply them consistently; (2) make reasonable and prudent judgments and accounting
 17 estimates; (3) state whether applicable U.K. Accounting Standards have been followed; and (4) prepare
 18 the financial statements on the going concern basis.

19 9. On or about September 30, 2011, ASL filed a Report and Financial Statements for the
 20 year ended December 31, 2010, as required by the Companies Act. *See* Trial Ex. 1373. It was executed
 21 by Sushovan Hussain, who was one of ASL's two directors at the time.

22 10. At some point, I became concerned that ASL's 2010 financial statements were misstated
 23 and that ASL had an obligation under U.K. law to restate them. My team and I undertook a substantial
 24 accounting review of Autonomy Corporation plc and ASL's historical financial statements. We
 25 reviewed voluminous business records. The review took substantial time. My team and I gathered all
 26 relevant information we could.

27 11. I ultimately determined a restatement of ASL's previously filed financial statements was
 28 required. (Because Autonomy Corporation plc was purchased by HP it was no longer required to file

1 financial statements.) On or about January 31, 2014, ASL filed with the Registrar of Companies its
 2 Report and Financial Statements for the 10 months ended October 31, 2011 (the “Restatement”). *See*
 3 Ex. 2445. I signed the Restatement on behalf of the Board, subject to my duties under U.K. law and all
 4 of the criminal penalties described above. In the Restatement, ASL reduced its publicly reported
 5 revenue (or turnover) from £175,632,000 to £81,293,000. *Compare* Trial Ex. 1373 at 10 to Trial Ex.
 6 2445 at 13. ASL also reduced its retained earnings balance (profit and loss account) at December 31,
 7 2009, from £188,010,000 to £108,882,000, which reflects a substantial decrease in 2009 revenue.
 8 *Compare* Trial Ex. 1373 at 11 to Trial Ex. 2445 at 37. The Restatement further reflects that ASL
 9 engaged Ernst & Young LLP (“E&Y”) as its statutory auditor, but that E&Y disclaimed an opinion
 10 because (1) “further adjustments might have been required” if additional information evidence had been
 11 available, including information that might be identified from ongoing investigations; (2) “further
 12 adjustments might be required to the intercompany balances” if additional information and evidence
 13 were available; and (3) the Company’s earnings and financial position may be further impacted by
 14 additional errors found in the accounting of fellow group undertakings.” The restatement was the
 15 product of significant care and deliberation and is a business record of ASL.

16 12. The Restatement reflects adjustments for numerous transactions that impacted both
 17 ASL’s financial statements and Autonomy Corporation plc’s financial statements. As part of the
 18 accounting review, my team and I determined the adjustments were required both under United
 19 Kingdom Accounting Standards and International Financial Reporting Standards, with which Autonomy
 20 Corporation plc’s financial statements purported to comply.

21 13. To illustrate the impact of the ASL Restatement on Autonomy Corporation plc’s publicly
 22 reported results, I prepared summary charts based on Autonomy business records. *See* Ex. 2749. The
 23 summary charts itemize how individual transactions or groups of transactions comprise the Restatement
 24 and their annual and quarterly impacts both on ASL’s accounts and Autonomy Corporation plc’s
 25 accounts.

26 14. For example, on page one of Ex. 2749, in the column “Retained Earnings (Note 3) / As at
 27 Dec 2009,” I list the “Originally Stated” revenue for ASL as £188.01m. This is drawn from ASL’s prior
 28 filings before I became a Director. I then list “Adjustments in respect of restated transactions,” which

1 reflects the amount of revenue reduction based on specific restated transactions in the Restatement.
 2 These adjustments were made to the books of ASL as part of the Restatement. For example, the
 3 restatement of the “MicroTech / Discover Technologies” transaction reduced reported ASL revenue
 4 (within retained earnings) for 2009 by £5.74. The “Capax Discovery (EDD)” transaction reduced
 5 reported ASL revenue (within retained earnings) for 2009 by £1.27m. The restatement of the “Filetek”
 6 transaction reduced reported ASL revenue (within retained earnings) for 2009 by £6.30m. I also list
 7 adjustments related to “hosting transactions” relating to reductions for hosting transactions as a whole
 8 and “other adjustments” that do not necessarily fit a particular category. The total adjustments for all
 9 restated transactions is £80.13m. This reduced ASL’s reported revenue to £107.88. I also account for
 10 an adjustment relating to a change in accounting policy. Page 1 also lists the amount of hardware
 11 revenue recognized with 2009 and expresses the percentage of restated transactions as compared to prior
 12 reported results.

13 15. In the column “Revenue / Total 2010,” I list the “Originally Stated” revenue for ASL that
 14 year as £175.63m, which is drawn from ASL’s prior filings before I became a Director. I then list
 15 “Adjustments in respect of restated transactions,” which reflects the amount of revenue reduction based
 16 on certain restated transactions. These adjustments were made to the books of ASL as part of the
 17 Restatement. For example, the restatement of the “FileTek / United States Veterans Administration
 18 Authority” transaction reduced reported ASL revenue for 2010 by £6.03. The “MicroTech / Biblioteca
 19 Apostolica Vaticana (Vatican Library)” transaction reduced reported ASL revenue for 2010 by £5.74m.

20 16. In the column “Revenue / Jan – Oct 2011,” I list the “Originally Stated” revenue for ASL
 21 that period as £108.64, which is drawn from ASL’s books and records before I became a Director. This
 22 amount had not been publicly reported but is what the books reflected when I assumed responsibility. I
 23 then listed “Adjustments in respect of restated transactions,” which reflects the amount of revenue
 24 reduction based on certain transactions I and my team adjusted. These adjustments were made to the
 25 books of ASL as part of the restatement. For example, based on my team’s review, ASL adjusted its
 26 books to reduce revenue associated with the “MicroTech / Hewlett Packard” transaction for 2011 by
 27 £3.25m.

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1 17. The adjustments listed on page 1 accurately reflect adjustments made to the books and
 2 records of ASL as a result of my and my team's accounting review.

3 18. Pages 4 through 13 of Ex. 2749 reflect the impact of the Restatement and adjustments to
 4 ASL's books on the group revenue as previously reported. For example, on page 4, I list a column
 5 "Revenue / Q1 2009." The row "Originally stated revenue" is drawn from Autonomy Corporation plc's
 6 public filings. The rows under "Total restated transactions" list transactions restated or adjusted in the
 7 Restatement in terms of their USD impact on the group accounts. As part of the restatement, my team
 8 and I adjusted the books and records of the Autonomy subsidiary responsible for the Capax Discovery
 9 (EDD) transaction to reduce revenue by \$7.5 million, which is reflected in row 3. This reduced ASL's
 10 revenue by virtue of transfer pricing. The overall impact to the group accounts was a \$7.5 million
 11 reduction in revenue. The remaining adjustments on page 4 and the remaining pages through page 13
 12 accurately reflect adjustments made to Autonomy's books to complete the ASL restatement. In the
 13 summaries, I also list hardware revenue that was recorded and express the adjustments and revenue as
 14 percentages.

15 19. To provide another example, page 8 of Ex. 2749 reflects the impact of the Restatement
 16 and adjustments to ASL's books on the group revenue as previously reported. On page 8, I list a column
 17 "Revenue / Q1 2010." The row "Originally stated revenue" is drawn from Autonomy Corporation plc's
 18 public filings (\$194.18m). The rows under "Total restated transactions" list transactions restated or
 19 adjusted in the Restatement in terms of their USD impact on the group accounts. As part of the
 20 Restatement, my team and I adjusted the books and records of the Autonomy subsidiary responsible for
 21 the "MicroTech / Biblioteca Apostolica Vaticana (Vatican Library)" transaction to reduce revenue by
 22 \$11 million. This reduced ASL's revenue by virtue of transfer pricing. The overall impact to the group
 23 accounts was a \$11 million reduction in revenue. The remaining adjustments on page 8 and the
 24 remaining pages 4 through page 13 accurately reflect adjustments made to Autonomy's books to
 25 complete the ASL restatement. In the summaries, I also list hardware revenue that was recorded and
 26 express the adjustments and revenue as percentages.

1 DATED: April 10, 2024

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5 28 U.S.C. § 515

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